CONGRESSIONAL BUDGET OFFICE
PAY-AS-YOU-GO ESTIMATE

December 14, 2000

H.R. 2415

Bankruptcy Reform Act of 2000

As cleared by the Congress on December 7, 2000

H.R. 2415 would make many changes and additions to the laws relating to bankruptcy, including establishing a system of means-testing for determining eligibility for relief under chapter 7 of the U.S. bankruptcy code. CBO estimates that enacting H.R. 2415 would increase certain revenues, and lead to a decrease in others, and would result in a net loss in revenues (i.e., governmental receipts) of $1 million a year beginning in fiscal year 2002.

The means testing provision, which is included in section 102, could affect the government's income from bankruptcy filing fees because it could cause changes in the number and type of bankruptcy filings. CBO projects that about 5 to 10 percent of all chapter 7 debtors (about 50,000 to 100,000 cases each year) could be subject to the means test proposed under H.R. 2415. CBO expects that those debtors who are not successful in proving "special circumstances" will either convert their cases to chapter 13 cases or withdraw their petitions for bankruptcy relief. Under either of these options, CBO estimates that there would be no significant effect on the federal budget because there is no fee for converting a case from chapter 7 to chapter 13, and filing fees are not refunded to debtors who withdraw their petitions for bankruptcy relief. Over the long term, CBO estimates that the federal government could collect additional revenues as more debtors file directly under chapter 13. (The government collects an additional $45 for each case filed under chapter 13 instead of chapter 7.) This increase could be partly offset by those debtors who might refrain from filing for any type of bankruptcy relief. On balance, CBO estimates that the means-testing provision would increase revenues by about $1 million a year beginning in 2004.

Section 418 would permit a bankruptcy court or a district court to waive the chapter 7 filing fee and other fees for a debtor who is unable to pay such fees in installments. For each chapter 7 case filed, the federal government collects $15. Based on information from the Administrative Office of the United States Courts (AOUSC), CBO expects that in fiscal year 2001 chapter 7 filing fees would be waived for about 3.5 percent of all chapter 7 filers and that the percentage waived would gradually increase to about 10 percent by fiscal year 2004. CBO estimates that enacting this provision would result in a loss in revenue of $1 million in each of fiscal years 2002 and 2003 and $2 million in each year thereafter.

The provisions in title VII of the act also would alter the treatment of various tax obligations after taxpayers have filed for bankruptcy, and change the rate of interest charged on taxes owed in bankruptcy cases. The Joint Committee on Taxation projects that these provisions would raise revenue, but that any increases would be negligible.

CBO estimates that the net effect on governmental receipts would be a loss of $1 million annually beginning in fiscal year 2002. The net changes in governmental receipts are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Changes in outlays	0	0	0	0	0	0	0	0	0	0
Changes in receipts	0	-1	-1	-1	-1	-1	-1	-1	-1	-1

The CBO staff contact for this estimate is Susanne S. Mehlman. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.